

OFFICE OF THE CITY MANAGER

NO. LTC # 308-2013

### LETTER TO COMMISSION

TO:

Mayor Matti Herrera Bower and Members of the City Commission

FROM:

Jimmy L. Morales, City Manager

DATE:

September 4, 2013

SUBJECT: EXPLANATION FOR INCREASES IN FY 2013/14 GENERAL FUND

INDIVIDUAL DEPARTMENT BUDGETS IN EXCESS OF 2 PERCENT @VERS

THE FY 2012/13 ADOPTED BUDGET

The purpose of this memorandum is to provide information on General Fund Current Service Level (CSL) department budget increases for FY 2013/14. In prior years the threshold was a 2% increase net of pension and internal service costs and for this analysis the same amount has been used. The comparison between FY 2013/14 CSL and the FY 2012/13 adopted budget includes adjustments for increases to pension costs and internal service increases.

### Background

At the time of the July 8th Finance and Citywide Projects Committee Meeting, the City's General Fund CSL expenditure budget was estimated at \$267.3 million, an increase of \$11.05 million or 4%, of which \$5.5 million was an increase in pension costs and \$1.77 million was the increase in internal service costs. Net of increases in pension and internal services, the increase was \$3.78 million or less than 1.5%.

At the August 21st Finance and Citywide Projects Committee Meeting, the General Fund CSL expenditure budget was updated to reflect changes since July 8th including miscellaneous expenditure adjustments and the impact of union negotiations. The miscellaneous expenditure adjustments totaled \$264,000 and include items such as updates to internal service fund charges, administration fees, distribution of pension costs, and further refinements to salaries. Other expenditure changes include positive impacts from union agreements totaling \$4,635,000 to the General Fund. Implementation of pension changes for current and future employees result in savings of \$5,664,000 to the General Fund as follows: Communications Workers of America (CWA) -\$120,000, International Association of Fire Fighters (IAFF) \$2,152,000 and Fraternal Order of Police (FOP) \$3,392,000. CWA impacts from three percent merit eligibility, eleven percent extension of the salary range for Lifeguard II and Lieutenants, changes to holiday pay and increase of union time bank hour resulting in \$507,000 increase in salaries, and a \$30,000 increase for reinstated shift differential. IAFF impacts result from increase on-call supplement for Fire Investigators and PIO's, and increase paramedic recertification pay resulting in an increase in salaries of \$57,000 and increase of \$80,000 in capital and debt for take-home vehicle assignments. FOP impacts for implementation of voluntary annual physical fitness assessment incentive resulting in an increase in benefits of \$355,000. IAFF and FOP increases are offset by \$5.5 million pension savings in the General Fund (\$5.7 million citywide) resulting in a net savings of \$4.6 million.

Explanation for Increases in FY 2013/14 General Fund Individual Department Budgets in Excess of 2 Percent over the FY 2012/13 Adopted Budget Page 2

Prior to the inclusion of miscellaneous adjustments, the impact of union negotiations, and the allocation of increases for internal service funds, the increase was \$3.83 million or 1.5%. After the inclusion of miscellaneous adjustments and impact of the union negotiations, the FY 2013/14 CSL budget increased 2.6% from the FY 2012/13 adopted budget as compared to the 4% above.

#### **Analysis**

<u>Attachment A</u> shows the final CSL budget that includes transfers, internal service costs, union agreement impacts, and pension allocations.

Transfers represent the reorganization of some functions to more transparently reflect the reporting structure of certain positions and functions as well as reflect where certain expenditures are more appropriately charged:

- Two community outreach officers, the Condo Ombudsman and the Special Assistant for CIP previously charged to Code Compliance, Building, and the CIP Office respectively, are now budgeted in my office where they have reported for several years;
- The City's Emergency Manager, previously budgeted in Police, is now budgeted in my office.
- The OBPI Director, previously shared with Organizational Development and Performance Initiatives (ODPI) is now fully dedicated to OBPI since ODPI reports directly to the Assistant City Manager.
- Citywide training, previously budgeted in the Parking Department, is now more appropriately budgeted in Organizational Development and Performance Initiatives (\$67,000).
- The Economic Development budget has been moved from Real Estate, Housing, and Community Development (REHCD) to Tourism, Culture, and Economic Development (TCED) consistent with the organizational changes made earlier this year, in addition to the transfer of the Development Coordinator position from Communications.

It is important to note that none of these reflect an increase in overall expenditure, but merely a transfer of expenditures between departments.

Pension increases of \$5.8 million in the General Fund (and \$6.6 million Citywide) are primarily driven by the continued recognition of investment experience losses in FY 2007/08 and FY 2008/09 as well as continued decreases in the assumption for rate of return on investments. After adjusting for the impact of Union negotiations, pension costs are budgeted to increase by \$180,000.

Attachment A also shows the latest estimate of CSL budgets for each General Fund department prior to the adjustments for transfers (reorganizations), internal service costs, and pension allocations. The 2 percent variance analysis nets out these adjustments to present a clear comparison of the remaining differences between the FY 2013/14 CSL budget and the FY 2012/13 Adopted Budget.

As explained in the proposed operating millage agenda item presented to the Commission on July 17, 2013, a significant component of the increase for all

Explanation for Increases in FY 2013/14 General Fund Individual Department Budgets in Excess of 2 Percent over the FY 2012/13 Adopted Budget Page 3

departments is due to increases in employee costs such as 5% step increases for members not at the maximum of their range in the FOP and IAFF bargaining units and a maximum of 3 percent for CWA and 2 percent merit increase for other employees. Merit and step increases apply within existing pay ranges. Overtime increased primarily due to Police overtime costs increasing over the FY 2012/13 budget amount that anticipated aggressive savings in overtime, to actual needs. Also included is a ten percent (10%) increase in health insurance costs over the FY 2012/13 experience.

As shown in <u>Attachment B</u>, City Manager's Office, City Attorney, Procurement, Building, Code Compliance, Parks and Recreation, and Police have FY 2013/14 CSL budgets equal to or more than two percent in excess of FY 2012/13 adopted budgets, prior to adjustments for transfers. The explanation of the increases for these departments is provided in the respective tables on the following pages.

#### Conclusion

The FY 2013/14 CSL budget reflects a 2.6% increase over the FY 2012/13 adopted budget. Net of transfers between departments, pension cost increases, and allocation of increases in internal service funds, the increase is 1.5%. As can be seen from the department variance details presented here, the most significant increases in the FY 2013/14 CSL budget are due to Salary and Benefit increases, including Health insurance costs based on an estimated 10 percent increase over the current Fiscal Year.

It should be noted that in some departments, operating expenses are going down as a result of continued efforts by administration to reduce costs.

Attachments

JLM: KGB/JW

	CSF	
l	, PRELIMINARY CSL	
	PRE	
	ATTACHMENT A - FY 2013/14 BUDGET - PRIOR YEAR REDUCTIONS , I	
	YEAR F	
	- PRIOR	
	UDGET	
	013/14 E	
	A - FY 2	
	HMENT	
	ATTAC	

ATTACHMENT A - FY 2013/14 BUD
PRELIMINARY CSL. INCLUDES
10% Increase in Health Insurance
Does not include increases to living a

Does not include increases to living wage														- See	
	6-Year Prior Reductions (through FY 2012/13)	ons (through I	-Y 2012/13)				PROPOSED	PROPOSED FY 2013/14 CSL	1						
	\$ impac! /%. of FY2012/13 Budget		Positions/% of FY2012/13 BudgeT	FY 2012/13 Adopted Budget	Jopted Budg		CSL Budget Prior to Transfers between Depts, Pension and Internal Service Adjustments (rounded to the 000°s)	\$ change	Chg.	Transfers between Depts for Re- Org	CSL including Transfers between Depts prior to Pension and Internal Service Affloactions (counded to the 000's)	Pension Allocation Prior to Union Impacts	Internal Service	Union Agret Impacts Including Pension Savings	CSL with Pension and Informal Service Alloactions and Union Impacts.
General Fund Prior to Pension and Internal Service Adjustments	\$'8		%	S/S	Ŀ	PT		-	t				φ. \$		
Mayor & Commission	\$ (142,801) -9%	-23	0.0 -13%	1,648,000	17.66		1,664,000 \$	16,000	0.97%		1,664,000	53,000	6,000		1,723,000
City Manager	\$ (480,867) -21%	-33	0.0 -34%	2,313,000	29 6		2,421,000	108,000	4.67%	378,000	2,799,000	207,000	(26,000)	,	2,980,000
Communications	\$ (367,859) 41%	-4.0	0.0 -80%	893,000	5.00		891,000	(2,000)	-0.22%	(000'69)	822,000	26,000	(11,000)		837,000
OBPI	\$ (298,449) -17%	-30	0.0 -31%	1,790,375	9.80		1,823,000	32,625	1.82%	19,000	1,842,000	76,000	8,000		1,926,000
Org Dev & Peformance Initiatives***				369,625	2.20		376,000	6,375	1.72%	48,000	424,000	000'6	(40,000)		393,000
Finance	\$ (588,321) -13%	-10 0	0.0 -31%	4,426,000	32 00		4,460,000	34,000	0 77%		4,460,000	185,000	23,000	(000'6)	4,659,000
Procurement	\$ (127,405) -12%	-20	1.0 -11%	1,063,000	8 00	10	1,104,000	41,000 ·	3.86%	+	1,104,000	38,000	2,000	(3,000)	1,141,000
Human Resources/Labor Relations	\$ (429,538) -24%	-5.5	1.0 -29%	1,827,000	14 30	1.0	1,777,000	(20,000)	-2 74%		1,777,000	000'09	(10,000)		1,827,000
City Clerk	\$ (136,899) -9%	-2 4	0.0 -28%	1,505,000	8 60		1,343,000	(162,000)	10.76%		1,343,000	11,000	3,000	(2,000)	1,350,000
City Attorney	\$ (475,555) -11%	-33	-1.0 -23%	4,318,000	18 67		4,526,000	208,000	4.82%		4,526,000	175,000	13,000		4,714,000
Real Estate, Housing & Community Dev (Incl. Community Services)	\$ (281,910) -11%	-3.0	00 -22%	2,498,000	10 40	3.0	2,482,000	(16,000)	-0.64%	(226,000)	2,256,000	34,000	57,000	(5,000)	2,342,000
Building	\$ (601,165) -5%	-8 0	0.0 -11%	10,985,000	73 00		11,413,000	428,000	3.90%	(56,000)	11,357,000	434,000	215,000	(34,000)	11,972,000
Planning	\$ (310,351) -9%	4.0	, 00 -16%	3,419,000	25.00		3,330,000	(000,68)	-2 60%		3,330,000	117.500	32,000	(4,500)	3,475,000
TCED	\$ (550,900) -22%	.2 5	0.0 -19%	2,503,000	13 50		2,504,000	1,000	0.04%	287,000	2,791,000	121,000	4,000		2,916,000
Code Compliance	\$ (843,827) -18%	-130	3.0 -21%	4,647,000	35.00	12.0	4,755,000	. 108,000	2 32%	(224,000)	4,531,000	74,000	64,000	10,000	4,679,000
Parks & Recreation (including Golf courses)	\$ (2,964,743) -10%	-30.0	-30 0 -20%	28,772,000	167 00	130 0	29,717,000	945,000	3 28%		29,717,000	696,500	(230,000)	(34,500)	30,149,000
Public Works	\$ (1,517,535) -23%	-185	0.0 -46%	6,548,000	40 40		6,592,000	44,000	%29:0		6,592,000	163,000	(3,000)	(7,000)	6,745,000
GIO GIO	\$ (63,863) -1%	1.0	0.0	4,841,000	37.00		4,827,000	(14,000)	.0.29%		4,827,000	197,000	13,000	(6,000)	5,031,000
Police	\$ (4,972,333) -5%	-610	2.0 -11%	94,963,000	508 00	150	97,232,000	2,269,000	2.39%	(90,000)	97,142,000	3,220,000	1,068,000	(2,994,000)	98,436,000
Fire	\$ (2,368,194) -4%	2.0	0.0 -2%	62,242,000	303 00	480	62,994,000	752,000	1.21%		62,994,000	(75,000)	295,000	(1,541,000)	61,673,000
Citywde	\$ (2,272,112) -21%	0.0	0.0	10,836,000			9,888,000	(948,000)	-8.75%		9,888,000		179,000		10,067,000
Subtotal \$	(19.794,627) -8%	-182.9	-24.0 -13%	\$ 252,407,000	1338.20	210.0 \$	256,119,000 \$	3,712,000	6.44%	\$ 000'29	256,186,000 \$	5,822,000	\$ 1,662,000	\$ (4,635,000)	\$ 259,035,000
General Fund															
Capital Reserve	\$ (2,500,000)						1				•				
Reserve for Future Budget Shortrall Pay-As-You-Go Capital	ì	1					1,400,000	1 1	0000		1,400,000				
Info & Comm. Tech Fund				\$ 395,000			395,000	13 000	0 00%	$\frac{1}{1}$	395,000				\$ 395,000
Renewal and Replacement Fund <sup>A</sup>	\$ (1,056,529)			\$ 1,859,000		$\prod$	1,981,000	122,000	6.56%		1,981,000				\$ 1,981,000
Homeowners Dividend Transfer to Risk Fund	-														200
Transfer to 11% Reserve	$\ \cdot\ $														φ.
						+			<del>    .</del>	+					
Total General Fund \$ (42,741,690) -17% -182.9 -24.0 -13% \$ 256,280,000 1338.2 210.0 \$ 260,111,0	1 \$ (42,741,690) -17%	6 -182.9	-24.0 -13%	\$ 256,280,000	1338.2	210.0 \$	260,111,000 \$	3,831,000	1.50% \$	\$ 000'49	260,178,000	\$ 5,822,000 \$	\$ 1,662,000 \$	\$ (4,635,000) \$	\$ 263,027,000
* Neigborhood Services Department was split in	nto various functions and sig-	gnificantly red	uced in FY 2007/L	18 - Chart reflects re	ductions as	part of Coc	Se Compliance								

Neigborhood Services Department was split into various functions and significantly reduced in FY 2007/08 - Chart reflects reductions as part of Code Compliance
 FY 2010/11 Budget included reductions for contracting outconverting positions to part-time, resulting in \$221,901 in department budget have been adjusted to reflect the impact.
 These were not implemented and the FY 2010/11 Department budget have been adjusted to reflect the impact.
 Organizational Development and Performance Initiatives split as a seperatate Division from QBP in FY 2012/13 reorganization
 Renewal and Replacement expenditures increased in CSL to reflect revenues from dedicated millage

### ATTACHMENT B

## City Manager

•						
		pted Budget Y 2012/13			Budget 013/14	Variance Over/ (Under)
Expenditures	\$	2,313,000	\$	-	2,421,000	\$ 108,000
Salaries- Increase due to 2% Unclassified, Other, AFSME, Assistant City Manager and I	& GSA /	CWA and the	rsary reins	date s stame	nt of the	
frozen during the previous fi			Jate	positi	ons partially	76,873
Other Personnel Costs				,		1,247
Legislative Affairs Tracking C	ontract					12,000
Operating Expenses - include media charges due to new st and travel associated with st	aff and	increase to m	-			15,205
Intérnal Service .						3,892
  Capital 						(1,217)
,	N	let			•	\$ 108,000

# Procurement

		pted Budget Y 2012/13		CSL Budget FY 2013/14		Variance Over/ (Under)
Expenditures	\$	1,063,000	\$	1,104,000	\$	41,000
	1001	Compo				
Salaries- Increase due to 2% Unclassified, Other, AFSME, transition within department	& GSA/					(26,026)
Health Insurance- Increase d experience, offset by decrea	•	-				(18,201)
Other Personnel Costs						1,940
Temporary Labor - Support in the City's contract managem requirements during the neg before and after award by cr ensure contracts and require date. Funding for support w have been implemented.	ent pro otiatio eating d docu	ocess to ensur nprocess, and a central repo Iments such as	e Sunsi contrac sitory c insura	nine Law ct compliance, of contrac ts to nce are up to	-	60,000
Operating Expenses - Increase be used for evaluaation comprofessional memberships and Professional Contracts Manato verify financial capacity and firms/proposers	mittee nd trai gers (C	meetings and ning, including PCM); and nev	trainin certifi w subso	gs; increase in cation as cription to a firm		19,819
Internal Services Charges - ro	ounding					3,468
		Net			\$	41,000

## City Attorney

		pted Budget Y 2012/13		Budget 2013/14		Variance Over/ (Under)
Expenditures	\$	4,318,000	\$	4,526,000	\$	208,000
<del>-</del>		Compon	ents			
Salaries- Increase due to 29			sary date	for		
Unclassified, Other, AFSME	, & GSA /	' CWA				22,932
Other Personnel Costs						, (557)
Other Personnei Costs						(557)
Increased Professional Serv		-	_	•		·
counsel						40,000
Increased Outside Legal Fe	es to fur	nd collective ba	rgaining,	<sup>/</sup> labor		
negotiations through impa	sse	•				125,000
Operating Expenses - Incre	ase for th	e replacement	of office		•	
furniture less than \$500 ea		• .				
increase in table sponsorsh	•	•		which		
is split with the City Manag	er and M	layor/Commiss	ion			16,178
Internal Services Charges						2,447
Capital	ı					2,000
Net	·			· · ·	\$	208,000

# Building

		opted Budget Y 2012/13		Budget 2013/14		Variance Over/ (Under)
Expenditures	\$	10,985,000	\$	11,413,000	\$	428,000
		Compon	ents			
Salaries- Increase due to Unclassified, Other, AFS	· •		ary date	for	\$	174,488
Health Insurance- Incre experience	ase due to p	rojected 10% inc	crease ov	ver FY13		50,360
Temporary Labor and P in demand, offset by inc				ress increase		164,456
Operating Expenses - In property	crease for B	uilding Board Uր	os of abai	ndoned	,	35,177
Internal Services Charge	es - rounding	3				3,556
Capital						(37
		Net			\$	428,000

## **Code Compliance**

		pted Budget Y 2012/13		CSL Budget FY 2013/14		Variance Over/ (Under)
Expenditures	\$	4,647,000	\$	4,755,000	\$	108,000
		Compo	nent	5	*	
Salaries- Increase due to 2% / Unclassified, Other, AFSME, &			rsary	date for		34,256
Overtime -for increase staffin from Resort Tax, as well as inc detail assignments, sidewalk of	rease	d levels of ser	vice s	uch as beach		
initiatives.						62,000
Health Insurance- Increase du experience	e to p	rojected 10%	incre	ase over FY13		(19,991)
						. (10,001,
Other Personnel Costs		•				3,047
Operating Expenses - Increase abandoned property, expense						
owner						24,448
Internal Services Charges						4,240
		Vet			\$	108,000

### Parks & Recreation

		opted Budget Y 2012/13		CSL Budget -Y 2013/14		Variance Over/ (Under)
Expenditures	\$	28,772,000	\$	29,717,00	00 \$	945,000
	v / 20/	Compo				
Salaries- Increase due to 29 Unclassified, Other, AFSME	•	·	rsary d	ate for		625,524
Health Insurance- Increase FY13 experience	due to p	rojected 10% i	ncreas	e over		19,463
Other Personnel Costs						(213)
Increase in Professional Se includes the living wage in	crease, ir	ncreases in cre	dit card			,
fees, property and general	liability i	nsurance, etc				290,000
Operating Expenditures						6,733
Internal Services Charges-	Rounding	3				2,715
Debt Service - Rounding						778
	1	Net			\$	945,000

# Police

	Adopted Budget FY 2012/13	CSL Budget FY 2013/14	Variance <u>Over/ (Under)</u>
Expenditures	\$ 94,963,000	\$ 97,232,000	\$ 2,269,000
	Compor	nents	and the same of th
Salaries- Increase due to 2% Unclassified, Other, AFSME,			1,618,363
Overtime- Increase based o	n FY13 projected actua	ıl	610,000
Court Overtime- Increase ba	ased on FY13 projected	l actual	49,300
Pension- City Contribution			(3,435)
Health Insurance- Increase (experience	due to projected 10% i	ncrease over FY13	187,529
Other Personnel Costs base related FY14 salary increase	* =	penses, coupled with	3,875
Operating Expenses			(208,489)
Internal Services Charges- II	ncrease due to roundin	g	23,075
Capital			(11,218)
	Net		\$ 2,269,000